

Message Text

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SUBJECT: OPPOSITION LEADER, SEAGA, CRITICIZES THE GOVERNMENT'S

ECONOMIC POLICIES

1. THE DAILY GLEANER OF MARCH 3 HEADLINED OPPOSITION LEADER EDWARD SEAGA'S SHARP CRITICISM OF GOJ'S ECONOMIC POLICIES. "UNLESS HELP OF A VERY SUBSTANTIAL NATURE COMES TO THE RESCUE SHORTLY, THIS GOVERNMENT MIGHT VERY WELL BE GOING THROUGH ITS LAST STAGES", HE SAID IN COMMENT ON THE REMOVAL OF THE HON. DAVID COORE AS MINISTER OF FINANCE. "WHAT MUST NOW BE OBVIOUS TO ALL IS THAT THE TIME OF FINAL ACCOUNTING HAS AT LAST ARRIVED AND MARCH 1978 IS OUR DEADLINE WITH DESTINY. IN THE NEXT FOUR WEEKS, THE COUNTRY MUST SEE A MASSIVE SHAKE-UP OF POLICIES AND LEADERSHIP AS WE NOW KNOW THEM, OR GEAR ITSELF TO PASS WHAT MIGHT BE A POINT OF NO RETURN". SEAGA PAINTED A BLEAK PICTURE OF THE JAMAICAN ECONOMY, NOTING THAT IT WAS NOW "APPROACHING THE END OF THAT COLLISION COURSE WITH BANKRUPTCY ON WHICH IT WAS SET BY THIS GOVERNMENT IN 1973".

2. MR. SEAGA BELIEVES THAT PROSPECTS FOR 1978 ARE
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WORSE THAN THE SITUATION ENCOUNTERED IN 1977. IN HIS VIEW, "KEYS TO THIS CONTINUING COLLAPSE" ARE (A) THE GAP OF OVER \$200 MILLION BETWEEN FOREIGN EXCHANGE EARNINGS AND EXPENDITURES; (B) THE BUDGETARY GAP AS EXPENDITURES CONTINUE TO EXCEED REVENUES; (C) AS A RESULT OF THE FOREIGN EXCHANGE GAP AND UNLESS URGENT HELP ARRIVES, IMPORTS, IN HIS VIEW, WOULD BE CUT BY

\$150 MILLION BELOW LAST YEAR'S, WHICH, IN TURN, WOULD NECESSITATE A 20 PERCENT CUT IN FOOD IMPORTS AND INDUSTRIAL AND OTHER RAW MATERIALS AND A 40 PERCENT REDUCTION IN BUILDING INDUSTRY SUPPLIES; (D) TAXES WOULD BE INCREASED OPPRESSIVELY IN THIS FISCAL YEAR.

4. COMMENT - SEAGA'S SPEECH IS OBVIOUSLY POLITICAL AND OVERDRAMATIZES THE SITUATION. WE DOUBT THAT THE GOVERNMENT IS IN IMMINENT DANGER OF COLLAPSING OR THAT THE COUNTRY FACES IMMEDIATE BANKRUPTCY. MR. SEAGA FAILS TO SPELL OUT ANY CONCRETE POLICY MEASURES THAT HE WOULD HAVE TO TAKEN TO TURN THE ECONOMY AROUND IF HE HAD BEEN IN POWER. THE ONLY INSIGHT INTO HIS POSITION IS PROVIDED BY HIS SUGGESTION THAT THE NEW MINISTER OF FINANCE, MR. BELL, SHOULD "DEAL WITH INTERFERENCE IN THE HANDLING OF THE ECONOMY WITH THE SAME DECISIVENESS THAT RAIDERS AND PIRATES WHO SACKED CITIES AND RAVAGED ECONOMIES WERE DEALT WITH IN THE HISTORICAL PAST". THAT, HOWEVER, IS NOT VERY PRECISE GUIDANCE.

5. THE CONDITION OF THE ECONOMY IS UNDOUBTEDLY SERIOUS. GROSS DOMESTIC PRODUCT IS ESTIMATED TO HAVE DECLINED BY ANOTHER 6.5 PER CENT IN REAL TERMS IN 1977, BRINGING THE TOTAL CUMULATIVE DECLINE SINCE 1972 TO OVER 20 PERCENT. THE BALANCE OF PAYMENTS DEFICIT, WHILE MUCH LOWER THAN IN 1976, WAS STILL A SIGNIFICANT US\$43 MILLION IN 1977
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AND HAD TO BE COVERED BY SPECIAL OFFICIAL INFLOWS. DEBT-SERVICE PAYMENTS ON THE EXTERNAL PUBLIC DEBT IS PROJECTED TO RISE TO US\$165 MILLION IN 1978, UP FROM \$74 MILLION IN 1975 AND \$103 MILLION IN 1976.

6. THE SOLUTION IN OUR VIEW REQUIRES A PACKAGE OF MEASURES WHICH DEAL WITH THE CURRENT CRISIS AS WELL AS WITH LONGER TERM PROBLEMS. IN THE LONG RUN, FOR EXAMPLE, IMPORT AND EXCHANGE REGULATIONS SHOULD BE LIBERALIZED, THE EXCHANGE RATE SHOULD PROBABLY BE UNIFIED, PRODUCTIVITY MUST BE RAISED, INCOMES NEED TO BE RELATED TO PRODUCTIVITY, EXPENDITURES AND RECEIPTS SHOULD BE BROUGHT INTO HARMONY AND STEPS TAKEN TO PROVIDE THE ENVIRONMENT FOR A HEALTHY, GROWING PRIVATE SECTOR. IN THE IMMEDIATE AND NEAR TERM, A RIGOROUS STABILIZATION PROGRAM IS OBVIOUSLY REQUIRED, BUT BECAUSE OF THE DEPTH OF THE CRISIS AND THE ADVERSE, POSSIBLY UNACCEPTABLE POLITICAL CONSEQUENCE OF THE IDEAL REQUISITE REMEDIAL MEASURES, A HIGH LEVEL OF EXTERNAL ASSISTANCE, AS APPARENTLY CONTEMPLATED BY THE IMF, IS INDISPENSABLE. MOREOVER, EVEN IS APPROPRIATE ECONOMIC REFORMS ARE ADOPTED IMMEDIATELY, IT WILL TAKE

TIME FOR THEM TO TAKE EFFECT. ULTIMATELY, CONSUMPTION
NEEDS TO BE REALISTICALLY RELATED TO PRODUCTION AND A
RESUMPTION OF PRIVATE FOREIGN INVESTMENT MUST BE INDUCED.
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